

NORWAY-VULCAN AREA SCHOOL DISTRICT

**Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34**

June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Education
Norway-Vulcan Area School District
300 Section Street
Norway, Michigan 49870

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Norway-Vulcan Area School District**, Norway, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the **Norway-Vulcan Area School District**, Norway, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

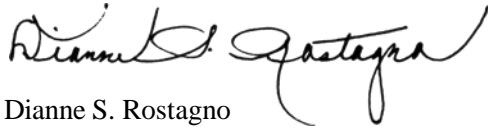
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America, and the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Board of Education, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Norway-Vulcan Area School District**, Norway, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 03, 2008 on our consideration of the **Norway-Vulcan Area School District**, Norway, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information on pages 8 through 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinions on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Norway-Vulcan Area School District**, Norway, Michigan's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinions, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized "R" and "S".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

November 03, 2008

ADMINISTRATION'S DISCUSSION AND ANALYSIS

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

The **Norway-Vulcan Area School District** is a K-12 school district located in Dickinson County, Michigan.

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the **Norway-Vulcan Area School District's** discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds, including Debt Service, Capital Projects, and the School Service Funds, which are comprised of Food Service and Athletics.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term debt obligations are recorded as expenditures. Future years' debt obligations are not recorded.

District-wide Financial Statements

The *District-wide Financial Statements* are full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Fund solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets on the *District-wide Financial Statements*.

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The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Summary of Net Assets:

The following summarizes the comparative net assets at fiscal years ended June 30, 2008 and June 30, 2007:

<u>NET ASSETS SUMMARY</u>	<u>June 30, 2008</u>
Assets	
Current Assets	\$ 4165881
Capital Assets	17379395
Less: Accumulated Depreciation	<u>(7391415)</u>
Capital assets, net book value	9987980
Total Assets	14153861
Liabilities	
Current Liabilities	1085156
Long-term Liabilities	<u>8282217</u>
Total Liabilities	9367373
Net Assets	
Investment in capital assets, net of related debt	1325632
Restricted for Debt Service	137268
Restricted for Capital Projects	1213982
Restricted for Food Service	37082
Restricted for Bookstore	4383
Restricted for Athletics	7801
Unrestricted and Undesignated	<u>2060340</u>
Total Net Assets	4786488
Total Liabilities and Net Assets	\$ 14153861

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Summary of Net Assets: (Continued)

	<u>June 30, 2007</u>
<u>NET ASSETS SUMMARY</u>	
Assets	
Current Assets	\$ 4407553
Capital Assets	17115516
Less: Accumulated Depreciation	<u>(6956165)</u>
Capital assets, net book value	10159351
Total Assets	\$ <u>14566904</u>
Liabilities	
Current Liabilities	1062050
Long-term Liabilities	<u>9019024</u>
Total Liabilities	10081074
Net Assets	
Investment in capital assets, net of related debt	948118
Restricted for Debt Service	121198
Restricted for Capital Projects	1354586
Restricted for Food Service	20084
Restricted for Bookstore	4116
Restricted for Athletics	11262
Unrestricted and Undesignated	<u>2026466</u>
Total Net Assets	4485830
Total Liabilities and Net Assets	\$ <u>14566904</u>

Analysis of Financial Position

During fiscal year ended June 30, 2008, the District's net assets increased by \$300,658. A few of the significant factors affecting net assets during the year are discussed below:

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A. General Fund Operations

The District's expenditures from General Fund operations exceeded revenues by \$ 159,048 after transfers out to other funds. The fund balance of the Debt Service Fund increased by \$16,070. The Capital Projects Fund fund balance decreased by \$140,604, and the fund balances of other non-major governmental funds increased by \$ 13,804.

B. Debt, Principal Payments

The District's long-term debt activity is as follows:

	Principal Balance 06/30/07	Additions	Principal Payment Applied	Principal Balance 06/30/08
1999 Serial Bonds	\$ 150000	\$ -0-	\$ 70000	\$ 80000
2003 Refunding Bonds	4585000	-0-	455000	4130000
2005 Refunding Bonds	3570000	-0-	25000	3545000
Michigan School Bond Loan Fund	874677	1115	0	875792
Durant Resolution Bonds	31556	-0-	0	31556
Accrued Long-term Sick Leave	<u>357791</u>	<u>-0-</u>	<u>192922</u>	<u>164869</u>
Totals	\$ 9569024	\$ 1115	\$ 742922	\$ 8827217

C. Net Investment in Capital Assets

The District's net investment in capital assets is as follows:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Capital Assets	\$ 17115516	263879	\$ -0-	\$ 17379395
Less: Accumulated Depreciation	<u>(6956165)</u>	<u>(435250)</u>	<u>-0-</u>	<u>(7391415)</u>
Net Investment in Capital Assets	\$ 10159351	\$ (171371)	\$ -0-	\$ 9987980

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Results of Operations:

For the fiscal years ended June 30, 2008 and June 30, 2007, the comparative District-wide results of operations were as follows:

	<u>June 30, 2008</u>
Revenues	
<i>General Revenues</i>	
Property taxes, levied for general operations	\$ 890783
Property taxes, levied for debt service	1014607
Other local taxes and fees	48631
State Aid, Unrestricted	5292590
Interest and Investment Earnings	159770
Other general revenues	<u>123642</u>
	7530023
<i>Operating Grants</i>	
Federal	304362
State of Michigan	279329
Other operating grants	<u>660</u>
<i>Total Operating Grants</i>	584351
Capital Grants	0
<i>Charges for Services</i>	
Tuition	82309
Food Service	159167
Athletics	43100
Other	<u>388</u>
<i>Total Charges for Services</i>	284964
Total Revenues	\$ 8399338

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Results of Operations: (Continued)

	<u>June 30, 2008</u>
Expenses	
Instruction	\$ 4511866
Support Services	2063606
Food Services	290149
Athletics	201683
Bookstore	121
Interest on long-term debt	508986
Other Costs	50000
Depreciation (Unallocated)	435250
Intergovernmental payments	<u>37019</u>
Total Expenses	\$ 8098680
 INCREASE IN NET ASSETS	 300658
 BEGINNING NET ASSETS	 4485830
 ENDING NET ASSETS	 \$ 4786488

	<u>June 30, 2007</u>
Revenues	
General Revenues	
Property taxes, levied for general operations	\$ 849577
Property taxes, levied for debt service	967562
Other local taxes	26348
State Aid, Unrestricted	5413858
Interest and Investment Earnings	178007
Other general revenues	<u>130801</u>
Total General Revenues	\$ 7566153

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Results of Operations: (Continued)

	<u>June 30, 2007</u>
<i>Operating Grants</i>	
Federal	\$ 274665
State of Michigan	220827
Other operating grants	<u>0</u>
Total Operating Grants	495492
Capital Grants	0
Charges for Services	
Tuition	\$ 73142
Food Service	152641
Athletics	41127
Other	<u>600</u>
Total Charges for Services	267510
Total Revenues	\$ 8329155
Expenses	
Instruction	\$ 4762375
Support Services	1929897
Food Services	274201
Athletics	181578
Bookstore	301
Interest on long-term debt	491491
Other Costs	0
Depreciation (Unallocated)	443329
Intergovernmental payments	<u>27380</u>
Total Expenses	\$ 8110552
INCREASE IN NET ASSETS	218603
BEGINNING NET ASSETS	4267227
ENDING NET ASSETS	\$ 4485830

Norway-Vulcan Area Schools

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1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count.
- c. The District's non-homestead levy.

Per Student, Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The **Norway-Vulcan Area School District's** foundation allowance was \$ 7,204 per student for the 2007-2008 school year.

Student Enrollment

The District's pupil enrollment for state aid membership for the 2007-2008 fiscal year was 874.04. The District's enrollment decreased slightly from the prior year's student count. The following summarizes the state aid membership (student enrollments) for the past five years:

	Student FTE
2007-2008	874.04
2006-2007	894.58
2005-2006	911.54
2004-2005	938.44
2003-2004	969.21

2. Property Taxes Levied for General Operations (General Fund Non-Homestead)

The District levies 18 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or five percent, whichever is less.

At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

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Property Taxes Levied for General Operations (General Fund Non-Homestead) (Continued)

The District's non-homestead property tax revenue for the 2007-2008 fiscal year was \$ 890,783. The non-homestead property tax levy increased by approximately \$41,206 over the prior year.

The following summarizes the District's non-homestead property tax levy for the past five years:

	<u>Non-Homestead Tax Levy</u>	<u>Percent Increase From Prior Year</u>
2007-2008	\$ 890783	4.85
2006-2007	849577	15.72
2005-2006	734139	2.61
2004-2005	715402	3.85
2003-2004	688900	3.02

Average increase over last five years: 6.01%

3. Debt Service Fund Levy

The District's debt service fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties - both homestead and non-homestead. For the fiscal year ended June 30, 2008, the District's debt millage levy was 7.43 mills, which generated revenue of \$1,014,607.

4. Food Sales to Students and Adults (School Lunch Program)

The District's food sales to students increased by 14,931. Food sales to adults increased by \$2,733, and Ala Carte sales decreased by \$11,042 during this same period. Sale of milk decreased by \$ 75.

Norway-Vulcan Area Schools

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General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in Required Supplemental Information of these financial statements. General Fund budgetary highlights are as follows:

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual vs Original Budget	Revenues Variance Actual vs Final Budget
General Fund	\$ 6861869	\$ 6858027	\$ 6908558	\$ 46689	\$ 50531

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual vs Original Budget	Expenditures Variance Actual vs Final Budget
General Fund	\$ 6808391	\$ 7108164	\$ 6862606	\$ (54215)	\$ 245558

Actual revenues were higher than both the original and final budgets, coming in at \$46689 and \$50531 higher than the original budgets.

Budgeted expenditures were increased by \$299,773 from the original budgeted amounts.

Norway-Vulcan Area Schools

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Major Accomplishments for the 2007-2008 School Year

- Established a new elementary computer lab.
- Upgraded internal infrastructure related to technology.
- Converted computer network to new operating system.
- Upgraded servers.

Goals and Priorities for 2008-2009

- Evaluation of roofing condition and anticipation of shingling replacement on at least 60% of the roof surface.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Norway-Vulcan Area School District
School Business Office
300 Section Street
Norway, Michigan 49870

BASIC FINANCIAL STATEMENTS

NORWAY-VULCAN AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

<u>ASSETS</u>	<u>Governmental Activities</u>
<i>Current Assets</i>	
Cash and Investments (Note 3)	\$ 3,107,556
Receivables	
Taxes	4,257
Accounts Receivable	9,987
Due from Other Governmental Units	1,040,696
Inventories	<u>3,385</u>
Total Current Assets	\$ 4,165,881
<i>Noncurrent Assets</i>	
Capital Assets (Note 5)	17,379,395
Less: Accumulated Depreciation (Note 5)	<u>(7,391,415)</u>
Total Noncurrent Assets	<u>9,987,980</u>
TOTAL ASSETS	\$ 14,153,861
<u>LIABILITIES</u>	
<i>Current Liabilities</i>	
Accounts Payable	36,472
Accrued Salaries and Benefits	503,684
Bonds Payable, Due within one year (Note 8)	<u>545,000</u>
Total Current Liabilities	1,085,156
<i>Noncurrent Liabilities</i>	
Bonds Payable (Note 8)	8,117,348
Compensated Absences Payable	<u>164,869</u>
Total Noncurrent Liabilities	8,282,217
TOTAL LIABILITIES	\$ 9,367,373
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,325,632
Restricted for Debt Services	137,268
Restricted for Capital Projects	1,213,982
Restricted for Food Service	37,082
Restricted for Bookstore	4,383
Restricted for Athletics	7,801
Unrestricted and Undesignated	<u>2,060,340</u>
TOTAL NET ASSETS	<u>\$ 4,786,488</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Activities</u>
				<u>Net(Expense) Revenue and Changes in Net Assets</u>
Primary Government -				
Government Activities:				
Instruction	\$ 4,511,866	\$ 82,309	\$ 385,825	\$ (4,043,732)
Support Services	2,063,606		50,673	(2,012,933)
Food Services	290,149	159,167	147,853	16,871
Athletics	201,683	43,100		(158,583)
Bookstore	121	388		267
Interest on Long-Term Debt	508,986		-	(508,986)
Other Costs	50,000			(50,000)
Depreciation (Unallocated)	435,250			(435,250)
Intergovernmental Payments	<u>37,019</u>			<u>(37,019)</u>
Total Governmental Activities	\$ 8,098,680	\$ 284,964	\$ 584,351	\$ (7,229,365)
General Revenues:				
Taxes:				
Property taxes levied for general operations				890,783
Property taxes levied for debt service				1,014,607
Other Taxes and fees				48,631
State Aid, Unrestricted				5,292,590
Interest and Investment Earnings				159,770
Other				<u>123,642</u>
Total General Revenues				7,530,023
Change in Net Assets				300,658
NET ASSETS - BEGINNING OF YEAR				4,485,830
NET ASSETS - END OF YEAR				\$ 4,786,488

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2008

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<u>ASSETS</u>			
Cash and Investments (Note 3)	\$ 1,714,882	\$ 135,195	\$ 1,213,982
Receivables:			
Taxes	2,184	2,073	-
Accounts Receivable	9,987	-	-
Due from Other funds	-	-	-
Due from Other Governmental Units	1,038,312	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 2,765,365	\$ 137,268	\$ 1,213,982
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	36,472	-	-
Accrued Salaries and Benefits	503,684	-	-
Due to Other Funds	-	-	-
TOTAL LIABILITIES	540,156	-	-
<u>FUND BALANCES</u>			
Unreserved and undesignated	2,225,209	-	-
Reserved for Debt Sevice		137,268	
Reserved for Capital Projects			1,213,982
Reserved for Food Service			
Reserved for Bookstore			
Reserved for Athletics	-	-	-
TOTAL FUND BALANCES	2,225,209	137,268	1,213,982
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,765,365	\$ 137,268	\$ 1,213,982

NORWAY-VULCAN AREA SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2008

Nonmajor Governmental Funds	Total Governmental Funds
\$ 43,497	\$ 3,107,556
	4,257
	9,987
	-
2,384	1,040,696
3,385	3,385
\$ 49,266	\$ 4,165,881
-	36,472
	503,684
-	-
-	540,156
-	2,225,209
	137,268
	1,213,982
37,082	37,082
4,383	4,383
7,801	7,801
49,266	3,625,725
\$ 49,266	\$ 4,165,881

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

June 30, 2008

Total Fund Balances - Governmental Funds	\$ 3,625,725
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of capital assets is:	17,379,395
Accumulated depreciation is:	(7,391,415)

Long term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds Payable	(8,662,348)
Compensated Absences/Other Benefits	(164,869)

Other long term assets not available to pay current period expenditures therefore deferred in the funds

-

Total Net Assets - Governmental Activities	<u>\$ 4,786,488</u>
---	----------------------------

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2008

	<u>General Fund</u>	<u>Debt Service Fund</u>
<u>REVENUE</u>		
Local Revenue	\$ 1,179,470	\$ 1,073,941
State Revenue	5,551,265	-
Federal Revenue	146,836	-
Interdistrict and Other	30,987	-
	<hr/>	<hr/>
TOTAL REVENUE	\$ 6,908,558	\$ 1,073,941
<u>EXPENDITURES</u>		
Current:		
Instruction	4,660,920	-
Support Services	2,107,474	-
Community Services	-	-
Food Services	-	-
Athletics	-	-
Bookstore	-	-
Debt Service	-	-
Principal	-	550,000
Interest and Fees	-	500,289
Other costs	-	7,582
Capital Outlay	57,193	-
Intergovernmental Payments	37,019	-
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 6,862,606	\$ 1,057,871
Excess (Deficiency) of Revenues Over Expenditures	45,952	16,070
<u>Other Financing Sources (Uses)</u>		
Operating transfers in	-	-
Operating transfers out	(205,000)	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(205,000)	-
Net Change in Fund Balances	(159,048)	16,070
FUND BALANCE- BEGINNING OF YEAR	2,384,257	121,198
	<hr/>	<hr/>
FUND BALANCE - END OF YEAR	\$ 2,225,209	\$ 137,268
	<hr/>	<hr/>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2008

Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 66,082	\$ 202,904	\$ 2,522,397
-	12,918	5,564,183
-	134,935	281,771
-	-	30,987
\$ 66,082	\$ 350,757	\$ 8,399,338
-	-	4,660,920
-	-	2,107,474
-	-	-
-	290,149	290,149
-	201,683	201,683
-	121	121
-	-	-
-	-	550,000
-	-	500,289
-	-	7,582
206,686	-	263,879
-	-	37,019
\$ 206,686	\$ 491,953	\$ 8,619,116
(140,604)	(141,196)	(219,778)
-	155,000	155,000
-	-	(205,000)
-	155,000	(50,000)
(140,604)	13,804	(269,778)
1,354,586	35,462	3,895,503
\$ 1,213,982	\$ 49,266	\$ 3,625,725

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ (269,778)**

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities; these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(435,250)
Capital Outlay	263,879

Revenue reported in the statement of activities that does not provide
current financial resources and are not reported as revenue
in the governmental funds

-

Accrued interest is recorded in the statement of activities when
incurred; it is not reported in governmental funds until paid

-

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it reduces
long term debt)

548,885

Decreases in compensated absences are reported as
expenditures when financial resources are used in the governmental
funds in accordance with GASB Interpretation No. 6

192,922

Bond proceeds are included as other financing sources in the
governmental fund statements

Change in Net Assets of Governmental Activities **\$ 300,658**

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

ASSETS

Cash, Deposits, and Investments	<u>\$ 479,833</u>
TOTAL ASSETS	<u>\$ 479,833</u>

LIABILITIES

Due to Student Groups	<u>87,663</u>
TOTAL LIABILITIES	\$ 87,663

NET ASSETS

Restricted for Scholarships	342,170
Restricted for Post Retirement	<u>50,000</u>
TOTAL NET ASSETS	<u>\$ 392,170</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

FIDUCIARY FUND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2008

	Private Purpose Trust Fund Scholarship Fund
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 100,462
Investment Earnings	15,897
Other -Post Retirement	<u>50,000</u>
TOTAL ADDITIONS	\$ 166,359
<u>DEDUCTIONS</u>	
Scholarships Awarded	68,435
Other	<u>1,512</u>
TOTAL DEDUCTIONS	\$ 69,947
<i>Change in Net Assets</i>	96,412
Net Assets - Beginning of year	<u>295,758</u>
Net Assets - End of year	<u><u>\$ 392,170</u></u>

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

NORWAY-VULCAN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the **Norway-Vulcan Area School District** conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies of the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's district-wide activities are considered governmental activities.

The District generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The District may defer the use of restricted assets based on a review of the specific transaction.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**District-wide and Fund Financial Statements
(Continued)**

Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**District-wide and Fund Financial Statements
(Continued)**

The criteria applied for designation as a major fund is as follows:

- 1) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for a fund type.
- 2) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Assets, or other element taken one at a time would have to pass both the 10% test and the 5% test for the fund to be required to be reported as a major fund.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation**

District-wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Property taxes, unrestricted State aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following governmental funds:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

General Fund

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

For district-wide reporting purposes, the General fund is always a major fund.

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

The Capital Projects Fund is considered to be a major fund for district-wide reporting.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Debt Retirement Fund

These funds are used to account for the accumulated resources for, and the payment of, general long-term principal, interest, and related costs.

The Debt Retirement Fund is considered to be a major fund for reporting purposes.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Special Revenue Funds (Continued)

The School Service Funds maintained by the School District are the Food Services Fund, Athletic Activity Fund, and the Bookstore Accounts. They are reported as non-major funds in the district-wide statements.

Fiduciary Funds

These funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District presently maintains a Student Activities Fund (Agency Fund), and a Scholarship Fund (Private-Purpose Trust Fund). These funds are segregated and held in trust for the students.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

Property Taxes

Property taxes are levied on July 01 and payable by September 15 each year. They are considered delinquent if unpaid as of March 01 of the following year. Property taxes are recognized when they become available.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

The Counties of Dickinson and Menominee purchase all delinquent real property taxes during the second quarter of each year, resulting in total collection of real property taxes each year.

Delinquent personal property taxes are recorded as receivable if considered to be collectible within 60 days after year-end. For the year ended June 30, the School District levied 18 operating mills (non-homestead only), and 7.43 mills for debt retirement on its taxable valuation of \$137,071,136.

State Revenue

The State of Michigan uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts.

The State portion of the foundation grant is provided primarily by a State education property tax millage of 6.00 mills (on both homestead and non-homestead property) and an allocated portion of the State sales and other taxes.

The local portion of the foundation is funded primarily by non-homestead property taxes levied at a rate of up to 18 mills.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2007 through August 2008. The School District also receives revenue from the State to administer certain categorical education programs.

State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

State, general, and categorical aids are recognized as revenue in the entitlement year. Federal aids for reimbursement programs are recognized as revenues in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenues.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities inventory received by the Food Service Fund is recorded as both revenue and expense in the year received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles is reported in the applicable governmental column in the district-wide financial statements.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets are defined by the government as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities

Unemployment

Payroll and related withholding and expenses which have been earned by School District employees but not paid as of June 30 are recorded as a liability on the School District's balance sheet.

The School District is a reimbursing employer to the Michigan Employment Security Commission and as such is responsible to pay the Commission for those benefits paid and charged to its accounts. As of June 30, 2008 appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result from claims in process or un-filed.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Sick Leave

The various employment contracts and agreements covering the School District's personnel allow for the accumulation of sick leave as defined.

Instructional

Upon termination of employment due to retirement or death and under the provisions of the contract between the Board of Education of the **Norway-Vulcan Area School District** and the U.P. Education Association for the fiscal year 2007-2008, teachers are paid on a sliding scale based on the number of sick days accumulated, ranging from \$10 to \$40 per day for each sick day accumulated, compensated at the highest rate they are eligible to receive. To qualify, a teacher must have a minimum of 7 years of service with the School District.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Sick Leave (Continued)

Non-instructional

Upon retirement, non-instructional employees (per Union Agreement between the Board of Education (NVA) and the Michigan Educational Association Support Personnel Association, receive benefits based on the number of sick days accumulated. These benefits range from \$10 to \$30 per day for each sick day accumulated. With the attainment of 20 years of service with the District, the retiree will be eligible for \$25 per year for each year of service upon retirement.

At June 30, 2008, the accumulated sick leave liability for all employees, including the related costs of FICA and retirement is estimated at \$183,188. Short-term benefits likely to be paid within the next 12 month period would result in a current liability of \$18,319. It is estimated that the long-term liability (calculated at the applicable percentage and rate at retirement) is approximately \$164,869.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions

Federal financial assistance received by school districts may include claims for reimbursement on reimbursable meals and milk served, cash in lieu of commodities, USDA donated commodities (both bonus and entitlement), discounts and rebates for the value of USDA donated commodity ingredients contained in processed foods (end products) provided by the state and federal processing program, respectively, and other payments for administrative costs, etc.

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions (Continued)

On this basis, the District recognizes the value of USDA donated commodities (bonus and non-bonus) received and expended in the amount of \$8,744 for entitlement commodities, and bonus commodities of \$764.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (Continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

State law requires the District to have its budget in place by July 01. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

**Excess of Expenditures Over Appropriations in
Budgetary Funds**

Budget Violations

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Excess of Expenditures Over Appropriations in
Budgetary Funds (Continued)**

Budget Violations (Continued)

The **Norway-Vulcan Area School District's** actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Norway-Vulcan Area School District** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2007-2008 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 498, contrary to the provisions of Section 17, of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Excess of Expenditures Over Appropriations in
Budgetary Funds (Continued)**

Budget Violations (Continued)

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u>General Fund</u>			
At Risk Program	\$ 108780	\$ 108282	\$ 498

Fund Deficits

At June 30, 2008, the School District had no fund deficit in any fund.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of the federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

These three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the School District or its agent in the School District's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

Category 3

Deposits which are not collateralized or insured.

Based on these three levels of risk, the School District's cash deposits are classified as follows:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 200000	\$ -0-	\$ 3383388	\$ 3583388

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 3107556	\$ 475832	\$ 3583388
Investments	<u>0</u>	<u>4000</u>	<u>4000</u>
Total	\$ <u>3107556</u>	\$ <u>479832</u>	\$ <u>3587388</u>

The breakdown between deposits and investments for the
School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 3583110
Investment in securities, mutual funds, and similar	
Vehicles	4000
Petty cash/Cash on hand	<u>278</u>
Total	\$ <u>3587388</u>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The deposits of the School District were reflected in the accounts of financial institutions at \$ 3,583,110, of which \$200,000 is covered by federal depository insurance.

INVESTMENTS

Credit risk is the risk that issuer or other counterparty to an investment will not fulfill its obligations. Custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

Investments are categorized into these categories of credit risk:

Category 1 - Insured or registered, or securities held by the School District or its agent in the School District's name;

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the School District's name.

At June 30, 2008, the School District's investment balances were categorized as follows:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Stock Funds	\$ <u>4000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>4000</u>	\$ <u>4000</u>
Total Investments	\$ 4000	\$ -0-	\$ -0-	\$ 4000	\$ 4000

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 4 - RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-major and Other Funds</u>	<u>Total</u>
<u>Receivables:</u>			
Taxes	\$ 2184	\$ 2073	\$ 4257
Intergovernmental	1038312	2384	1040696
Other	<u>9987</u>	<u>0</u>	<u>9987</u>
Total Receivables	\$ <u>1050483</u>	\$ <u>4457</u>	\$ <u>1054940</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 4 – RECEIVABLES (CONTINUED)

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payment not considered available	\$ -0-	\$ -0-
Payments received prior to meeting all eligibility requirements:	<u>-0-</u>	<u>-0-</u>
Total	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2008</u>
Assets not being depreciated:				
Land	\$ 6000	\$ -0-	\$ -0-	\$ 6000
Capital assets being depreciated:				
Land Improvements	668871	-0-	-0-	668871
Building and building Improvements	15250787	11872	-0-	15262659
Buses and other vehicles	387878	-0-	-0-	387878
Furniture and equipment	<u>801980</u>	<u>252007</u>	<u>-0-</u>	<u>1053987</u>
Subtotal	\$ 17109516	\$ 263879	\$ -0-	\$ 17373395
Accumulated Depreciation:				
Land Improvements	275152	33443	-0-	308595
Building and building Improvements	\$ 5787187	\$ 312805	\$ -0-	\$ 6099992

(Continued on page 65)

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 5 – CAPITAL ASSETS (CONTINUED)

(Continued from previous page)

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2008</u>
Accumulated Depreciation: (Continued)				
Buses and other vehicles	\$ 299415	\$ 20047	\$ -0-	\$ 319462
Furniture and equipment	<u>594411</u>	<u>68955</u>	<u>-0-</u>	<u>663366</u>
Subtotal	<u>6956165</u>	<u>435250</u>	<u>-0-</u>	<u>7391415</u>
Net capital assets being depreciated	<u>10153351</u>	<u>(171371)</u>	<u>-0-</u>	<u>9981980</u>
Net capital assets	\$ <u>10159351</u>	\$ <u>(171371)</u>	\$ <u>-0-</u>	\$ <u>9987980</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

Do To/From Other Funds:

There were no inter-fund receivables and payables as of June 30, 2008.

Operating Transfers

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended June 30, 2008, the School District authorized the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -0-	\$ 205000
Athletic Fund	155000	-0-
Post-Retirement Fund	<u>50000</u>	<u>-0-</u>
Totals	\$ <u>205000</u>	\$ <u>205000</u>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Operating Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Summary by Fund Classification:</u>		
Major Funds – Governmental	\$ -0-	\$ 205000
Non-Major Funds – Governmental	155000	-0-
Private-Purpose Trust Funds	<u>50000</u>	<u>-0-</u>
Totals	\$ <u>205000</u>	\$ <u>250000</u>

The General Fund transfers monies each year to support the Athletic program.

The General Fund transferred money to the Post-Retirement fund for future retirement benefits.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Other Financing Sources (Uses)

The transfers of cash between various School District funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE 7 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2008, there was no deferred revenue.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk obligations.

Long-term obligation activity can be summarized as follows:

<u>Type</u>	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<u>Serial Bonds</u>				
1999 Issue	\$ 150000	\$ -0-	\$ 70000	\$ 80000
2003 Refunding Bonds	4585000	-0-	455000	4130000
2005 Refunding Bonds	3570000	-0-	25000	3545000
Michigan School Bond Loan Fund	874677	1115	-0-	875792
Durant Resolution Package Bonds	31556	-0-	-0-	31556
Long-Term Employee Benefits	<u>357791</u>	<u>-0-</u>	<u>192922</u>	<u>164869</u>
Totals	\$ <u>9569024</u>	\$ <u>1115</u>	\$ <u>742922</u>	\$ <u>8827217</u>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SERIAL BONDS PAYABLE

The original issue of school bonds (\$7600000) was sold to obtain funds to erect, furnish, and equip additions to the high school, east elementary, and Vulcan schools; remodel and equip the west elementary, Vulcan and high schools; erect covered walkways to connect the high school and east and west elementary schools; improve the high school site, and acquire additional land to expand the Vulcan school site.

Interest rates were 9.0% on bonds maturing (\$725000) by November 01, 1999; 7.0% on bonds maturing (\$1625000) thereafter by November 01, 2005; 7.1% on bonds (\$700000) thereafter by November 01, 2007; and 7.2% on bonds maturing (\$3500000) thereafter by November 01, 2017; and 7.25% on bonds maturing (\$1050000) thereafter.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The 1990 issue was refinanced in order to reduce future interest costs, with the issuance of 1993 Refunding Bonds. Then, in 2003, the School District issued 2003 Refunding Bonds, thus reducing interest costs again.

2003 REFUNDING BONDS

On March 13, 2003, the Norway-Vulcan Area Schools issued \$ 6,465,000 in the form of 2003 Refunding Bonds (General Obligation-Unlimited Tax) for the purpose of refunding a portion of a prior bond issue of the School District. The bonds pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School without limitation as to rate or amount. The School District has designated the bonds as "Qualified Tax Exempt Obligations" as described in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2003 REFUNDING BONDS (Continued)

The National City Bank of MI/IL serves as the Transfer and Escrow agent for the bond issue.

Following is the schedule of principal and interest payments required to amortize the debt:

<u>Fiscal Year</u>	<u>Interest November 01</u>	<u>Principal May 01</u>	<u>Interest May 01</u>	<u>Totals</u>
2008-09	\$ 75484	\$ 440000	\$ 75484	\$ 590968
2009-10	68884	430000	68884	567768

(Continued on page 73)

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2003 REFUNDING BONDS (Continued)

(Continued from previous page)

<u>Fiscal Year</u>	<u>Interest November 01</u>	<u>Principal May 01</u>	<u>Interest May 01</u>	<u>Totals</u>
2010-11	\$ 61896	\$ 415000	\$ 61895	\$ 538791
2011-12	54737	405000	54738	514475
2012-13	47549	400000	47549	495098
2013-14	40249	385000	40249	465498
2014-15	33030	375000	33030	441060
2015-16	25905	360000	25905	411810
2016-17	18795	355000	18795	392590
2017-18	11695	340000	11695	363390
2018-19	<u>4725</u>	<u>225000</u>	<u>4725</u>	<u>233450</u>
	\$ 442949	\$ 4130000	\$ 442949	\$ 5015898

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

1999 SCHOOL BUILDING AND SITE BONDS

On October 27, 1999, the **Norway-Vulcan Area Schools** issued \$ 3,810,000 in general obligation-unlimited tax bonds.

The Bonds were authorized at an election on September 27, 1999, for the purpose of erecting, furnishing, and equipping an addition (including an auditorium and gymnasium) and partially remodeling, refurnishing, and re-equipping the Norway-Vulcan Area School; acquiring and installing educational technology systems; and developing and improving the site. The Bonds pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**1999 SCHOOL BUILDING AND SITE BONDS
(Continued)**

The schedule of remaining principal and interest requirements on the 1999 Building and Site Bonds are as follows:

	<u>May 01</u>		<u>November 01</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2008	\$	\$	\$ 2080.00	\$ 2080.00	5.02%
2009	<u>2080.00</u>	<u>80000.00</u>	<u>.00</u>	<u>82080.00</u>	5.20%
Total	\$ <u>2080.00</u>	\$ <u>80000.00</u>	\$ <u>2080.00</u>	\$ <u>84160.00</u>	

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**1999 SCHOOL BUILDING AND SITE BONDS
(Continued)**

The non-refunding portion is to be paid by the School District. The payments of principal and interest began May 01, 2005 and will end on May 01, 2009.

The bonds to be refunded and paid by the escrow agent totaled \$ 3,315,000 for principal and \$ 2,752,360 for interest. The interest began on May 01, 2005 and principal will begin on May 01, 2010.

2005 REFUNDING BONDS

On March 15, 2005, the **Norway-Vulcan Area School District** issued \$ 3,595,000 in the form of 2005 Refunding Bonds (General Obligation-Unlimited Tax) for the purpose of refunding a portion of the School District's outstanding 1999 School Building and Site Bonds.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2005 REFUNDING BONDS (Continued)

The bonds pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount. The School District has designated the bonds as "Qualified Tax Exempt Obligations" as described in Section 265(b) (3) (13) of the Internal Revenue code of 1986 as amended.

The Standard Federal-Corporate and Institutional Trust, a division of LaSalle Bank National Association is the Transfer and Escrow agent for the bond issue.

Following is the schedule of principal and interest payments required to amortize the debt:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2005 REFUNDING BONDS (Continued)

Fiscal Year	Interest <u>November 01</u>	Principal <u>May 01</u>	Interest <u>May 01</u>	<u>Totals</u>
2008-09	\$ 70506.25	\$ 25000.00	\$ 70506.25	\$ 166012.50
2009-10	70131.25	120000.00	70131.25	260262.50
2010-11	67731.25	130000.00	67731.25	265462.50
2012-12	65131.25	145000.00	65131.25	275262.50
2012-13	62593.75	160000.00	62593.75	285187.50
2013-14	59393.75	180000.00	59393.75	298787.50
2014-15	56243.75	195000.00	56243.75	307487.50
2015-16	52831.25	210000.00	52831.25	315662.50
2016-17	48631.25	220000.00	52831.25	317262.50
2017-18	44231.25	235000.00	44231.25	323462.50
2018-19	39531.25	275000.00	39531.25	354062.50
2019-20	34031.25	275000.00	34031.25	343062.50
2020-21	28531.25	275000.00	28531.25	332062.50
2021-22	22962.50	275000.00	22962.50	320925.00
2022-23	17325.00	275000.00	17325.00	309650.00
2023-24	11618.75	275000.00	11618.75	298237.50
2024-25	<u>5843.75</u>	<u>275000.00</u>	<u>5843.75</u>	<u>286687.50</u>
Totals	\$ <u>757268.75</u>	\$ <u>3545000.00</u>	\$ <u>757268.75</u>	\$ <u>5059537.50</u>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL BOND LOAN FUND

Pursuant to Section 16 of Article IX of Michigan Constitution of 1963, and Act 108, Public Acts of 1961, as amended, the School District has borrowed funds from the School Bond Loan fund in the State Treasury for the purpose of meeting the payment of principal and interest on its qualified school bonds.

In accordance with its bond ordinance, the school will borrow annually from the School Bond Loan Fund, until millage is sufficient to retire the current principal and interest on Issues Number 1 and 3.

Currently, the School District has borrowed a total of \$874,677 from the School Bond Loan Fund.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL BOND LOAN FUND (Continued)

In accordance with Section 9 of Act 108 of Public Acts of 1961, as amended, the rate of interest will represent the average interest rate (computed to the nearest one-eighth of one percent) paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1963.

DURANT SETTLEMENT

The Durant class-action lawsuit resulted in a judgment of \$212 million against the State of Michigan. The State mandated specific special education programs, but failed to compensate local districts for the increased costs of the mandated programs.

The local school districts that did not participate in the class-action lawsuit were offered a settlement in lieu of future litigation.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

DURANT SETTLEMENT (Continued)

The Districts with settlement amounts greater than or equal to \$ 75,000 were to receive one-half of the settlement over a period of ten years beginning November 15, 1998.

Restrictions on the use of these funds are stated in 11f(6):school buses, electronic instructional material and software, school security, textbooks, technology, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to 11/19/97.

The School District opted to participate in a bonding program, whereby the School District would receive bond proceeds equal to the other half of the settlement amount (\$53,443). The bonds were issued through the Michigan Municipal Bond Authority as School Loan Revenue Bonds, Series 1998.

The proceeds of the bonds were to be used for capital expenditures and to pay costs of bond issuance, and were not to be used for maintenance cost.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

DURANT SETTLEMENT (Continued)

The Durant bonds are considered to be a legal obligation of the School District and are recorded in the School District's General Long-term Debt. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the School District is under no obligation for payment.

SCHOOL IMPROVEMENT BOND, SERIES 1998

Repayment of the Principal Amount must be made according to the following schedule until the full Principal Amount is repaid.

In the event that the Authority elects to adjust the interest rates payable on the bond, the Authority may prepare and substitute a new payment schedule reflecting such adjustment, a copy of which will be sent to the School District and to the Authority's Depository.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT BOND, SERIES 1998
(Continued)

The Michigan Municipal Bond Authority has determined that certain payments of principal installments and interest which were due on May 15, 2007 and May 15, 2008 shall be deferred until a later date, which is reflected in the new payment schedule.

Payment Dates Due on May 15	Principal	Interest	Total Principal And Interest (Revised May 10, 2007)
2009	\$ 2974.25	\$ 778.75	\$ 3753.00
2010	18316.00	6899.17	25215.17
2011	3264.12	488.78	3752.90
2012	3419.35	333.36	3752.71
2013	<u>3582.12</u>	<u>170.54</u>	<u>3752.66</u>
Total	\$ 31555.84	\$ 8670.60	\$ 40226.44

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT BOND, SERIES 1998
(Continued)

Total Settlement Amount of	\$106885.00
Bonded Settlement Amount of	\$ 53442.50
Annual Interest Rate is	4.761353%
Average Life of Bonds is	6.783 years

Long-Term Employee Benefits

Long-Term Sick Leave Payable \$ 164869

Total Long-Term Employee Benefits Payable \$ 164869

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three years.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The School District contributes to the Michigan Public School Employees' Retirement system (MPERS), a cost-sharing multiple-employer defined benefit pension administered by the Michigan Department of Management and Budget, Office of Retirement Systems.

MPERS provides retirement, survivor and disability benefits to public school employees. Eligibility and benefit provisions are governed under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The annual report may be obtained by calling (517) 322-5103 or by writing to:

**Department of Management and Budget
Office of Retirement Systems
P.O. Box 30673
Lansing, Michigan 48909-8103**

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The School District is required by state statute to contribute 17.74% of covered payroll from July 01, 2007 through September 30, 2007, decreasing to 16.72% from October 01, 2007 through June 30, 2008. Contributions to MPSERS are determined on an actuarial basis using the entry age normal actuarial cost method. Contribution requirements of plan members including the School District are established and may be amended only by state statute.

The School District's contributions to MPSERS for the year ending June 30, 2008, 2007, and 2006, were \$647,937, \$671,954, and \$627,236, respectively.

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$ 5,000; 3.6% of \$5,001 through \$ 15,000; 4.3% of all wages over \$ 15,000.

Basic Plan members make no contributions. Contributions collected and remitted by the School District on behalf of MIP members for the years ending June 30, 2008, 2007, and 2006 were \$107,567, \$103,256, and \$105,809, respectively, equal to the required contributions for the year.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 11 - POST-EMPLOYMENT BENEFITS

In addition to the pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

NOTE 12 - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 12 - RELATED PARTY TRANSACTIONS (CONTINUED)

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 13 – SUBSEQUENT EVENTS

At fiscal year ended June 30, 2008, there were no other subsequent events that would have a significant affect on the School District's operations.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The School District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2008 may be impaired.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2008

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

REQUIRED SUPPLEMENTAL INFORMATION

NORWAY-VULCAN AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL
<u>REVENUE</u>			
Local Sources	\$ 1,071,874	\$ 1,153,624	\$ 1,179,470
State Sources	5,609,958	5,520,359	5,551,265
Federal Sources	174,037	159,661	146,836
Interdistrict and Other Sources	<u>6,000</u>	<u>24,383</u>	<u>30,987</u>
TOTAL REVENUE	\$ 6,861,869	\$ 6,858,027	\$ 6,908,558
<u>EXPENDITURES - CURRENT</u>			
<i>Instruction :</i>			
Basic Programs	3,851,686	4,051,283	3,976,208
Added Needs	551,226	665,580	628,531
Community Education	84,580	103,817	97,897
<i>Supporting Services :</i>			
Pupil	248,183	253,463	248,154
Instructional Staff	170,496	177,956	172,134
General Administration	213,161	221,381	207,965
School Administration	473,634	478,709	467,746
Business Services	153,886	146,845	137,282
Operation and Maintenance	730,839	718,630	661,872
Transportation	280,700	252,500	227,798
Other Supporting Services	-	-	-
Intergovernmental Payments	<u>50,000</u>	<u>38,000</u>	<u>37,019</u>
TOTAL EXPENDITURES	\$ 6,808,391	\$ 7,108,164	\$ 6,862,606
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	-	-	-
Operating Transfers Out	175,000	205,000	205,000
NET CHANGE IN FUND BALANCE	(121,522)	(455,137)	(159,048)
FUND BALANCE - BEGINNING OF YEAR	<u>2,384,257</u>	<u>2,384,257</u>	<u>2,384,257</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,262,735</u></u>	<u><u>\$ 1,929,120</u></u>	<u><u>\$ 2,225,209</u></u>

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

NORWAY-VULCAN AREA SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	Special Revenue Funds			Total
	Food Service Fund	Bookstore Account	Athletic Activity Fund	
<u>ASSETS</u>				
Cash and Investments (Note 3)	\$ 31,501	\$ 4,195	\$ 7,801	\$ 43,497
Accounts Receivable (State)	2,384	-	-	2,384
Inventories	3,197	188	-	3,385
TOTAL ASSETS	<u>\$ 37,082</u>	<u>\$ 4,383</u>	<u>\$ 7,801</u>	<u>\$ 49,266</u>
 <u>FUND BALANCES</u>				
Reserved for Food Services	37,082	-	-	37,082
Reserved for Bookstore Activities		4,383		4,383
Reserved for Athletics	-		7,801	7,801
TOTAL FUND BALANCES	<u>\$ 37,082</u>	<u>\$ 4,383</u>	<u>\$ 7,801</u>	<u>\$ 49,266</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>			
	<u>Food Service Fund</u>	<u>Bookstore Account</u>	<u>Athletic Activity Fund</u>	<u>Total</u>
<u>Revenue</u>				
Local Revenue	\$ 159,294	\$ 388	\$ 43,222	\$ 202,904
State Revenue	12,918	-	-	12,918
Federal Revenue	134,935	-	-	134,935
Total Revenue	\$ 307,147	\$ 388	\$ 43,222	\$ 350,757
<u>Expenditures</u>				
<u>Current:</u>				
Salaries	82,216	-	93,496	175,712
Insurance	7,982		1,507	9,489
Fringe Benefits	19,477		20,712	40,189
Purchased Services	3,485		52,709	56,194
Supplies and Materials	174,705	121	23,399	198,225
Other	2,284		9,860	12,144
Total Expenditures	290,149	121	201,683	491,953
Excess (Deficiency) of Revenues Over Expenditures	16,998	267	(158,461)	(141,196)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	-	-	155,000	155,000
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	155,000	155,000
Net Change in Fund Balances	16,998	267	(3,461)	13,804
FUND BALANCE - BEGINNING OF YEAR	20,084	4,116	11,262	35,462
FUND BALANCE - END OF YEAR	\$ 37,082	\$ 4,383	\$ 7,801	\$ 49,266

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET

JUNE 30, 2008

	<u>FOOD SERVICE FUND</u>	<u>BOOKSTORE ACCOUNT</u>	<u>ATHLETIC ACTIVITY FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 31,501	\$ 4,195	\$ 7,801	\$ 43,497
Inventory	3,197	188	-	3,385
Accounts Receivable, State	2,384	-	-	2,384
TOTAL ASSETS	<u>\$ 37,082</u>	<u>\$ 4,383</u>	<u>\$ 7,801</u>	<u>\$ 49,266</u>
<u>FUND EQUITY</u>				
Fund Balance - Reserved	37,082	4,383	7,801	49,266
TOTAL FUND EQUITY	<u>\$ 37,082</u>	<u>\$ 4,383</u>	<u>\$ 7,801</u>	<u>\$ 49,266</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

JUNE 30, 2008

	FOOD SERVICES FUND	BOOKSTORE ACCOUNT	ATHLETIC ACTIVITY FUND	TOTAL
<u>REVENUES</u>				
Sales	\$ 159,167	\$ 388	\$ 43,100	\$ 202,655
State Sources	12,918	-	-	12,918
Federal Sources	134,935	-	-	134,935
Interest	127	-	122	249
TOTAL REVENUE	307,147	388	43,222	350,757
OTHER FINANCING SOURCES				
Transfers In	-	-	155,000	155,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	307,147	388	198,222	505,757
<u>EXPENDITURES</u>				
Food Services	290,149	-	-	290,149
Bookstore	-	121	-	121
Athletic Activities	-	-	201,683	201,683
TOTAL EXPENDITURES	290,149	121	201,683	491,953
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	16,998	267	(3,461)	13,804
FUND BALANCE, JULY 1	20,084	4,116	11,262	35,462
FUND BALANCE, JUNE 30	\$ 37,082	\$ 4,383	\$ 7,801	\$ 49,266

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GENERAL FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 1,714,882	\$ 1,862,481
Taxes Receivable	2,184	7,166
Accounts Receivable :		
Federal	8,145	14,516
State	1,038,312	967,440
Other	1,842	594
Due From Other Funds	-	-
Prepaid Expense	-	44,110
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,765,365</u>	<u>\$ 2,896,307</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	36,472	17,948
Salaries Payable	334,416	313,335
Accrued Benefits	169,268	180,767
	<hr/>	<hr/>
TOTAL LIABILITIES	540,156	512,050
 <u>FUND EQUITY</u>		
Fund Balance, Unreserved & Undesignated	<hr/> 2,225,209	<hr/> 2,384,257
	<hr/>	<hr/>
TOTAL FUND EQUITY	2,225,209	2,384,257
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,765,365</u>	<u>\$ 2,896,307</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GENERAL FUND - SUPPLEMENTAL SCHEDULE OF REVENUES- ACTUAL COMPARED TO BUDGET

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/07
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
<u>LOCAL SOURCES</u>				
Current Tax Levy	\$ 890,783	\$ 895,873	\$ (5,090)	\$ 849,577
Penalties and Interest on Taxes	7,368	4,500	2,868	5,370
Other Taxes	15,732	15,500	232	-
Tuition	82,309	68,000	14,309	73,142
Interest Income	75,700	75,000	700	85,378
Other Local Revenue	107,578	94,751	12,827	116,039
 TOTAL REVENUES FROM LOCAL SOURCES	 \$ 1,179,470	 \$ 1,153,624	 \$ 25,846	 \$1,129,506
 <u>STATE SOURCES</u>				
State School Aid	5,292,590	5,305,188	(12,598)	5,413,858
Isolated Districts	27,957	-	27,957	
Special Education	117,384	101,545	15,839	95,076
At Risk	107,990	108,282	(292)	91,281
State Aid Restricted/Durant	5,344	5,344	-	5,344
Middle School Math	-	-	-	10,429
 TOTAL REVENUES FROM STATE SOURCES	 \$ 5,551,265	 \$ 5,520,359	 \$ 30,906	 \$5,615,988
 <u>FEDERAL SOURCES</u>				
Title I	103,889	116,120	(12,231)	93,290
Title II A	41,554	41,687	(133)	36,226
Title V	1,393	1,854	(461)	1,092
 TOTAL REVENUES FROM FEDERAL SOURCES	 \$ 146,836	 \$ 159,661	 \$ (12,825)	 \$ 130,608

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF REVENUES – ACTUAL COMPARED TO
BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>OTHER FINANCING SOURCES</u>				
Payments From Other Governmental Units :				
Federal Sources	\$ 22,591	\$ 17,383	\$ 5,208	\$ 21,795
State Sources	7,736	7,000	736	4,484
Other Sources	660	-	660	-
TOTAL OTHER FINANCING SOURCES	\$ 30,987	\$ 24,383	\$ 6,604	\$ 26,279
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 6,908,558</u>	<u>\$ 6,858,027</u>	<u>\$ 50,531</u>	<u>\$6,902,381</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

<u>INSTRUCTION</u>	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
BASIC PROGRAMS				
<u>Elementary</u>				
Professional Salaries	\$ 818,422	\$ -	\$ -	\$ 854,559
Nonprofessional Salaries	6,915			8,764
Insurance	205,675			214,562
FICA/Retirement	202,715	-	-	223,404
Other Benefits	12,457			3,093
Purchased Services	35,650			49,608
Supplies and Materials	42,942			69,619
Capital Outlay	29,843			-
Other	2,116	-	-	5,364
Total Elementary	\$ 1,356,735	\$ 1,393,012	\$ 36,277	\$1,428,973
<u>Middle School</u>				
Professional Salaries	749,884	-	-	741,113
Nonprofessional Salaries	1,969			464
Insurance	194,613			198,250
FICA/Retirement	184,272	-	-	187,026
Other Benefits	15,640			6,052
Purchased Services	29,853			28,037
Supplies and Materials	36,952			24,488
Capital Outlay	6,078			2,065
Other	1,725	-	-	2,050
Total Middle School	1,220,986	1,233,140	12,154	1,189,545
<u>High School</u>				
Professional Salaries	811,910	-	-	849,895
Nonprofessional Salaries	9,172			8,471
Insurance	224,233			243,763
FICA/Retirement	201,241			217,057
Other Benefits	3,002	-	-	1,204
Purchased Services	57,860			71,282
Supplies and Materials	78,732			60,146
Capital Outlay	5,795			23,905
Other	6,542	-	-	2,955
Total High School	\$ 1,398,487	\$ 1,425,131	\$ 26,644	\$1,478,678
TOTAL BASIC PROGRAMS	\$ 3,976,208	\$ 4,051,283	\$ 75,075	\$4,097,196

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

<u>INSTRUCTION (Continued)</u> ADDED NEEDS	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>Special Education</u>				
Professional Salaries	\$ 209,798	\$ -	\$ -	\$ 221,391
Nonprofessional Salaries	35,550			23,088
Insurance	64,724			66,375
FICA/Retirement	60,201			57,690
Other Benefits	2,363	-	-	4,220
Purchased Services	40,318			45,933
Supplies and Materials	1,154			5,375
Other	1,215	-	-	1,343
Total Special Education	415,323	440,542	25,219	425,415
 <u>Compensatory Education</u>				
<u>Title I</u>				
Professional Salaries	\$ 1,000	\$ -	\$ -	\$ 2,160
Nonprofessional Salaries	59,529			54,377
Insurance	890			4,941
FICA/Retirement	14,877			14,150
Other Benefits	1,060	-	-	4,061
Purchased Services	8,802			4,508
Supplies and Materials	12,908			7,354
Other	5,362	-	-	1,727
Total Compensatory Education	104,428	116,756	12,328	93,278
 <u>At Risk Program</u>				
Professional Salaries	74,485	-	-	76,559
Insurance	16,143			22,947
FICA/Retirement	18,152			19,439
Total At Risk Program	108,780	108,282	(498)	118,945
 TOTAL ADDED NEEDS	\$ 628,531	\$ 665,580	\$ 37,049	\$ 637,638

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>INSTRUCTION (Continued)</u>				
<u>COMMUNITY EDUCATION</u>				
<u>Children's Enrichment</u>				
Professional Salaries	\$ 26,676	\$ -	\$ -	\$ 60,883
Nonprofessional Salaries	43,633			8,474
FICA/Retirement	16,709	-	-	16,684
Purchased Services	295			4,294
Supplies and Materials	7,039			2,890
Other	3,545	-	-	2,543
Total Children's Enrichment	97,897	103,817	5,920	95,768
TOTAL COMMUNITY EDUCATION	\$ 97,897	\$ 103,817	\$ 5,920	\$ 95,768
TOTAL INSTRUCTION	\$ 4,702,636	\$ 4,820,680	\$ 118,044	\$4,830,602
 <u>SUPPORTING SERVICES</u>				
<u>STUDENT SERVICES</u>				
<u>Guidance</u>				
Professional Salaries	\$ 95,691	\$ -	\$ -	\$ 93,861
Nonprofessional Salaries	12,017			10,938
Insurance	33,127			32,023
FICA/Retirement	26,430	-	-	26,346
Other Benefits	263			147
Supplies and Materials	62			436
Other	224	-	-	95
Total Guidance	167,814	170,030	2,216	163,846
<u>Health</u>				
Professional Salaries	22,133	-	-	21,710
Other Benefits	500			500
FICA/Retirement	5,419			5,462
Supplies and Materials	222	-	-	343
Total Health	\$ 28,274	\$ 28,775	\$ 501	\$ 28,015

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED
			VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2007
<u>SUPPORTING SERVICES</u>				
STUDENT SERVICES (Continued)				
<u>Speech</u>	ACTUAL	BUDGET		
Purchased Services	\$ 47,275	\$ -	\$ -	\$ 44,831
Total Speech	47,275	47,275	-	44,831
<u>Other Student Services</u>				
Purchased Services		-	-	1,104
Supplies and Materials	633			-
Other	4,158			2,319
Total Other Student Services	4,791	7,383	2,592	3,423
TOTAL STUDENT SERVICES	\$ 248,154	\$ 253,463	\$ 5,309	\$ 240,115
INSTRUCTIONAL STAFF				
<u>Library</u>				
Professional Salaries	\$ 60,730	\$ -	\$ -	\$ 25,766
Nonprofessional Salaries	12,261			11,893
Insurance	20,697			18,288
FICA/Retirement	17,892			9,551
Other Benefits	2,879	-	-	53
Purchased Services	596			205
Supplies and Materials	11,788			6,275
Other	4,097	-	-	35
Total Library	130,940	134,276	3,336	72,066
<u>Title II A</u>				
Professional Salaries	24,329	-	-	21,257
Insurance	6,052			5,044
FICA/Retirement	5,927			5,377
Other Benefits	60	-	-	-
Purchased Services	2,394			4,337
Supplies and Materials	-			-
Other	-	-	-	300
Total Title II A	\$ 38,762	\$ 40,704	\$ 1,942	\$ 36,315

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES</u> (Continued)				
INSTRUCTIONAL STAFF				
<u>Title II D</u>				
Supplies and Materials	\$ 1,039	\$ -	\$ -	\$ -
Total Title II D	1,039	1,122	83	-
<u>Title V</u>				
Supplies and Materials	1,393			1,092
Total Title V	1,393	1,854	461	1,092
 TOTAL INSTRUCTIONAL STAFF	 \$ 172,134	 \$ 177,956	 \$ 5,822	 \$ 109,473
 GENERAL ADMINISTRATION				
<u>Board of Education</u>				
Insurance	5,492	-	-	4,979
Purchased Services	36,701			28,454
Other	12,837			6,869
Total Board of Education	55,030	61,591	6,561	40,302
<u>Executive Administration</u>				
Professional Salaries	102,400	-	-	98,095
Insurance	17,843			16,389
FICA/Retirement	24,682			24,424
Purchased Services	-			2,731
Supplies and Materials	5,022			1,978
Other	2,988	-	-	5,667
Total Executive Administration	152,935	159,790	6,855	149,284
 TOTAL GENERAL ADMINISTRATION	 \$ 207,965	 \$ 221,381	 \$ 13,416	 \$ 189,586

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
SUPPORTING SERVICES (Continued)				
SCHOOL ADMINISTRATION				
<u>Office of the Principal</u>				
Professional Salaries	\$ 147,750	\$ -	\$ -	\$ 145,205
Nonprofessional Salaries	85,653			93,294
Insurance	80,987			71,481
FICA/Retirement	57,233	-	-	58,715
Purchased Services	89,136			89,136
Supplies and Materials	4,574			5,157
Capital Outlay	994			-
Other	1,419	-	-	1,057
	<u>467,746</u>	<u>478,709</u>	<u>10,963</u>	<u>464,045</u>
Total Office of the Principal	467,746	478,709	10,963	464,045
TOTAL SCHOOL ADMINISTRATION	\$ 467,746	\$ 478,709	\$ 10,963	\$ 464,045
BUSINESS SERVICES				
<u>Fiscal Services</u>				
Nonprofessional Services	\$ 58,821	\$ -	\$ -	\$ 56,474
Insurance	18,593			19,473
FICA/Retirement	14,608			14,241
Other Benefits	750			-
Purchased Services	5,711	-	-	2,108
Supplies and Materials	9,160			4,253
Capital Outlay	-			1,448
Other	29,639	-	-	5,240
	<u>137,282</u>	<u>146,845</u>	<u>9,563</u>	<u>103,237</u>
TOTAL BUSINESS SERVICES	137,282	146,845	9,563	103,237
OPERATION AND MAINTENANCE				
Nonprofessional Salaries	177,649	-	-	174,099
Insurance	106,330			107,095
FICA/Retirement	43,329			43,053
Other Benefits	1,336	-	-	240
Purchased Services	273,658			258,451
Supplies and Materials	44,784			35,937
Capital Outlay	14,483			7,812
Other	303	-	-	357
	<u>661,872</u>	<u>718,630</u>	<u>56,758</u>	<u>627,044</u>
TOTAL OPERATION AND MAINTENANCE	\$ 661,872	\$ 718,630	\$ 56,758	\$ 627,044

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL YEAR ENDED 6/30/2007
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES (Continued)</u>				
TRANSPORTATION				
Nonprofessional Salaries	\$ 39,046	\$ -	\$ -	\$ 38,627
Insurance	6,848			4,319
FICA/Retirement	9,533			9,367
Other Benefits	95	-	-	54
Purchased Services	143,216			137,977
Supplies and Materials	28,522			20,871
Other	538	-	-	554
TOTAL TRANSPORTATION	227,798	252,500	24,702	211,769
TOTAL SUPPORTING SERVICES	\$ 2,122,951	\$ 2,249,484	\$ 126,533	\$1,945,269
 TOTAL EXPENDITURES	 \$ 6,825,587	 \$ 7,070,164	 \$ 244,577	 \$6,775,871
 <u>OTHER FINANCING USES</u>				
<u>Fund Modifications</u>				
Transfer To Athletics	\$ 155,000	\$ 155,000	\$ -	\$ 150,000
Transfer To Post Retirement	50,000	50,000	-	-
Total Fund Modifications	205,000	205,000	-	150,000
 <u>Payment To Other Governmental Units</u>				
Tuition	13,277	14,000	723	17,703
Consortium Charges	23,742	24,000	258	9,677
Total Payment To Other Governmental Units	37,019	38,000	981	27,380
 TOTAL OTHER FINANCING USES	 \$ 242,019	 \$ 243,000	 \$ 981	 \$ 177,380
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 \$ 7,067,606	 \$ 7,313,164	 \$ 245,558	 \$6,953,251

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUND – FOOD SERVICE - COMPARATIVE BALANCE SHEET

JUNE 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 31,501	\$ 14,745
Accounts Receivable, State	2,384	2,426
Inventory	<u>3,197</u>	<u>2,913</u>
TOTAL ASSETS	<u>\$ 37,082</u>	<u>\$ 20,084</u>
 <u>FUND EQUITY</u>		
Fund Balance - Reserved	<u>37,082</u>	<u>20,084</u>
TOTAL FUND EQUITY	<u>\$ 37,082</u>	<u>\$ 20,084</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUND – FOOD SERVICE - STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008

(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	FISCAL YEAR ENDED JUNE 30, 2008			FISCAL
			VARIANCE	YEAR
			FAVORABLE	ENDED
	ACTUAL	BUDGET	(UNFAVORABLE)	6/30/07
REVENUES				
Local Sources				
Student Breakfast / Lunches	\$118,240	\$ -	\$ -	\$103,309
Adult Lunches	7,773			5,040
Milk	733			808
Ala Carte	32,396			43,438
Interest	127			68
Miscellaneous	25	-	-	46
Total Local Sources	159,294	158,825	469	152,709
State Sources				
School Lunch Program	11,070	-	-	13,921
School Breakfast Program	1,848			292
Total State Sources	12,918	12,848	70	14,213
Federal Sources				
Federal Aid	125,427			113,471
USDA Commodities/Bonus	9,508			8,791
Total Federal Sources	134,935	137,400	(2,465)	122,262
TOTAL REVENUES	\$307,147	\$309,073	\$ (1,996)	\$289,184
EXPENDITURES				
Nonprofessional Salaries	82,216	-	-	82,668
Insurance	7,982			7,823
FICA/Retirement	19,477			20,260
Other Benefits	-			960
Purchased Services	3,485			4,224
Supplies and Materials	174,705			156,908
Other Costs	2,284	-	-	1,358
TOTAL EXPENDITURES	\$290,149	\$315,325	\$ 25,176	\$274,201
Excess of Revenues Over Expenditures	16,998	(6,252)	23,180	14,983
FUND BALANCE, JULY 1	20,084			5,101
FUND BALANCE, JUNE 30	\$ 37,082			\$ 20,084

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUND – BOOKSTORE ACCOUNT – COMPARATIVE BALANCE SHEET

JUNE 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 4,195	\$ 4,009
Inventory	<u>188</u>	<u>107</u>
TOTAL ASSETS	<u>\$ 4,383</u>	<u>\$ 4,116</u>
<u>FUND EQUITY</u>		
Fund Balance, Reserved	<u>4,383</u>	<u>4,116</u>
TOTAL FUND EQUITY	<u>\$ 4,383</u>	<u>\$ 4,116</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUND – BOOKSTORE ACCOUNT – STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	<u>FISCAL YEAR ENDED JUNE 30, 2008</u>			<u>FISCAL YEAR ENDED 6/30/07</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>	
<u>REVENUES</u>				
Sales	\$ 388	\$ 388	\$ -	\$ 600
TOTAL REVENUES	388	388	-	600
<u>EXPENDITURES</u>				
Supplies and Materials	121	203	82	301
TOTAL EXPENDITURES	121	203	82	301
Excess of Revenues Over (Under) Expenditures	267	185	82	299
FUND BALANCE, JULY 1	4,116			3,817
FUND BALANCE, JUNE 30	<u>\$ 4,383</u>			<u>\$ 4,116</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUND – ATHLETIC ACTIVITY FUND – COMPARATIVE BALANCE SHEET

JUNE 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and Deposits	<u>\$ 7,801</u>	<u>\$ 11,262</u>
TOTAL ASSETS	<u>\$ 7,801</u>	<u>\$ 11,262</u>
<u>FUND EQUITY</u>		
Fund Balance, Reserved	<u>7,801</u>	<u>11,262</u>
TOTAL FUND EQUITY	<u>\$ 7,801</u>	<u>\$ 11,262</u>

The notes to the financial statements are an integral art of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUND – ATHELTIC ACTIVITY FUND - STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	<u>FISCAL YEAR ENDED JUNE 30, 2008</u>			<u>FISCAL YEAR ENDED 6/30/07</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
<u>REVENUES</u>				
Local Sources				
General Admissions and Other	\$ 43,100	\$ -	\$ -	\$ 41,127
Interest	122			117
Total Local Sources	43,222	32,153	11,069	41,244
Other Financing Sources				
Transfer from General Fund	155,000	165,000	(10,000)	150,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	198,222	197,153	1,069	191,244
<u>EXPENDITURES</u>				
Professional Salaries	73,096	-	-	75,659
Nonprofessional Salaries	20,400			15,057
Insurance	1,507			756
FICA/Retirement	20,712			20,573
Purchased Services	52,709			38,817
Supplies and Materials	23,399			19,845
Other Costs	9,860	-	-	10,871
TOTAL EXPENDITURES	\$201,683	\$219,059	\$ 17,376	\$181,578
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(3,461)	(21,906)	18,445	9,666
FUND BALANCE, JULY 1	11,262			1,596
FUND BALANCE, JUNE 30	<u>\$ 7,801</u>			<u>\$ 11,262</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

DEBT RETIREMENT FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 135,195	\$ 116,613
Delinquent Taxes Receivable	<u>2,073</u>	<u>4,585</u>
TOTAL ASSETS	<u>\$ 137,268</u>	<u>\$ 121,198</u>
 <u>FUND EQUITY</u>		
Fund Balance, Reserved	<u>137,268</u>	<u>121,198</u>
TOTAL FUND EQUITY	<u>\$ 137,268</u>	<u>\$ 121,198</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**DEBT RETIRMENT FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal Year Ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
<u>Local Sources</u>		
Property Taxes	\$ 1,014,607	\$ 967,562
Interest & Penalties on Taxes	4,934	4,396
Other Taxes	32,899	16,582
Interest on Investments	20,839	29,641
Miscellaneous Revenue	<u>662</u>	<u>478</u>
Total Local Sources	\$ 1,073,941	\$ 1,018,659
 TOTAL REVENUES	 \$ 1,073,941	 \$ 1,018,659
 <u>EXPENDITURES</u>		
Principal	550,000	555,000
Interest	500,289	490,231
Other	<u>7,582</u>	<u>1,260</u>
 TOTAL EXPENDITURES	 \$ 1,057,871	 \$ 1,046,491
 Excess of Revenues Over (Under) Expenditures	 16,070	 (27,832)
 FUND BALANCE, JULY 1	 <u>121,198</u>	 <u>149,030</u>
 FUND BALANCE, JUNE 30	 <u>\$ 137,268</u>	 <u>\$ 121,198</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and Deposits	<u>\$ 1,213,982</u>	<u>\$ 1,354,586</u>
TOTAL ASSETS	<u>\$ 1,213,982</u>	<u>\$ 1,354,586</u>
<u>FUND EQUITY</u>		
Fund Balance, Reserved	<u>1,213,982</u>	<u>1,354,586</u>
TOTAL FUND EQUITY	<u>\$ 1,213,982</u>	<u>\$ 1,354,586</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**CAPITAL PROJECTS FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2008
(With Comparable Totals for Fiscal Year Ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Interest	\$ 62,982	\$ 62,803
Miscellaneous	<u>3,100</u>	<u>14,284</u>
TOTAL REVENUES	\$ 66,082	\$ 77,087
 <u>EXPENDITURES</u>		
Capital Outlay	<u>206,686</u>	<u>64,838</u>
TOTAL EXPENDITURES	\$ 206,686	\$ 64,838
 Excess of Revenues Over (Under) Expenditures	 (140,604)	 12,249
 FUND BALANCE, JULY 1	 <u>1,354,586</u>	 <u>1,342,337</u>
FUND BALANCE, JUNE 30	<u><u>\$ 1,213,982</u></u>	<u><u>\$ 1,354,586</u></u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**TRUST AND AGENCY FUND - STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND
FUND BALANCE**

FISCAL YEAR ENDED JUNE 30, 2008

	<u>BALANCE JUNE 30, 2007</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2008</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 379,009	\$ 328,234	\$ 231,410	\$ 475,833
Investments	5,512	-	1,512	4,000
TOTAL ASSETS	<u>\$ 384,521</u>	<u>\$ 328,234</u>	<u>\$ 232,922</u>	<u>\$ 479,833</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Student Activities	88,763	161,875	162,975	87,663
TOTAL LIABILITIES	88,763	161,875	162,975	87,663
<u>FUND EQUITY</u>				
Scholarship Accounts	295,758	116,359	69,947	342,170
Post Retirement Account	-	50,000	-	50,000
TOTAL FUND EQUITY	<u>295,758</u>	<u>166,359</u>	<u>69,947</u>	<u>392,170</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 384,521</u>	<u>\$ 328,234</u>	<u>\$ 232,922</u>	<u>\$ 479,833</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

AGENCY FUNDS – STATEMENT OF RECEIPTS AND DISBURSEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

	BALANCE 6/30/2007	RECEIPTS	DISBURSEMENTS	BALANCE 6/30/2008
<u>ASSETS</u>				
Cash and Deposits	<u>\$ 88,763</u>	<u>\$ 161,875</u>	<u>\$ 162,975</u>	<u>\$ 87,663</u>
<u>LIABILITIES</u>				
Youth in Government	\$ 320	\$ -	\$ -	\$ 320
SADD	707	-	-	707
Central Office	500	420	420	500
School Improvement	448	-	-	448
Special Interest	16,690	1,278	-	17,968
Library	701	263	87	877
E.E. Flower Fund	80	450	300	230
NVEA School	2,320	6	1,506	820
Surplus Fund	6,876	1,323	773	7,426
German Class	2,796	2,866	5,662	-
Class of 2006	1,324	-	1,324	-
Class of 2007	496	283	-	779
Class of 2008	588	3,193	3,359	422
Class of 2009	1,758	5,301	5,765	1,294
Class of 2010	1,763	174	193	1,744
Class of 2011	1,719	125	408	1,436
Class of 2012	1,312	3,701	3,526	1,487
Class of 2013	146	1,279	1,057	368
Class of 2014	371	1,080	1,215	236
Class of 2015	-	796	535	261
Varsity Cheerleaders	3,944	14,436	16,385	1,995
Forensics	1,414	-	25	1,389
Athletics	5,622	17,370	13,357	9,635
Art Club	1,010	2,342	2,667	685
Community Schools	232	4,845	4,338	739
NHS Student Council	415	9,817	10,061	171
Annual	4,703	11,380	8,119	7,964
Elementary School	2,797	13,167	9,879	6,085
Middle School	655	14,038	14,344	349
Junior High Student Council	468	4,228	3,637	1,059
Middle School Instrumental	1,013	16,211	15,196	2,028
High School Band	323	631	843	111
Vocal Music	447	10,254	10,378	323
General Account	11,211	8,625	13,708	6,128
Industrial Arts	1,646	-	-	1,646
Key Club	937	1,635	1,169	1,403
Wrestling Club	3,235	135	2,305	1,065
Junior High Cheerleaders	\$ 347	\$ 161	\$ 360	\$ 148

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**AGENCY FUNDS – STATEMENT OF RECEIPTS AND DISBURSEMENTS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2008

	<u>BALANCE 6/30/2007</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE 6/30/2008</u>
Drama	\$ 2,640	\$ 739	\$ 1,031	2,348
Tech Prep	2,685	-	-	2,685
Video Editing	201	-	16	185
Middle School SADD	124	-	-	124
NHS Girls Basketball	205	2,750	2,578	377
NHS Football	1,103	4,878	4,738	1,243
NHS Boys Basketball	471	570	1,149	(108)
Cross Country	-	1,125	562	563
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>\$ 88,763</u>	<u>\$ 161,875</u>	<u>\$ 162,975</u>	<u>\$ 87,663</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

PROPERTY TAX DATA

FOR THE YEAR ENDED JUNE 30, 2008

<u>YEAR LEVIED</u>	<u>LEVY</u>	<u>COLLECTIONS AND ADJUSTMENTS</u>	<u>BALANCE JUNE 30, 2008</u>
GENERAL FUND			
2007-08	\$ 890,783	\$ 889,573	\$ 1,210
2006-07	849,577	849,577	-
2005-06	734,139	734,139	-
2004-05	715,402	715,402	-
2003-04	674,667	673,693	974
TOTAL GENERAL FUND	\$ 3,864,568	\$ 3,862,384	\$ 2,184
DEBT RETIREMENT FUND			
2007-08	\$ 1,014,607	\$ 1,013,768	\$ 839
2006-07	967,562	967,562	-
2005-06	914,489	914,255	234
2004-05	896,816	896,171	645
2003-04	849,422	849,067	355
TOTAL DEBT RETIREMENT	\$ 4,642,896	\$ 4,640,823	\$ 2,073
TOTAL ALL FUNDS	\$ 8,507,464	\$ 8,503,207	\$ 4,257

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Norway-Vulcan Area School District
300 Section Street
Norway, Michigan 49870

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Norway-Vulcan Area School District**, Norway, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the **Norway-Vulcan Area School District**, Norway, Michigan's basic financial statements, and have issued our report thereon dated November 03, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and by the standards prescribed by the State Treasurer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Norway-Vulcan Area School District**, Norway, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing opinions on the effectiveness of the **Norway-Vulcan Area School District**, Norway, Michigan's internal control over financial reporting. Accordingly, we do not express opinions on the effectiveness of the **Norway-Vulcan Area School District**, Norway, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Norway-Vulcan Area School District**, Norway, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such as there is more than a remote likelihood that a misstatement of the **Norway-Vulcan Area School District**, Norway, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Norway-Vulcan Area School District**, Norway, Michigan's internal control. We consider the deficiencies described as (2008-01, 2008-02, 2008-03) in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Norway-Vulcan Area School District**, Norway, Michigan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

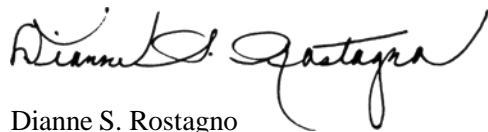
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Norway-Vulcan Area School District**, Norway, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the **Norway-Vulcan Area School District**, Norway, Michigan, in a separate letter dated November 03, 2008.

The **Norway-Vulcan Area School District**, Norway, Michigan's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the **Norway-Vulcan Area School District**, Norway, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

November 03, 2008

NORWAY-VULCAN AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2008

Significant Deficiencies

2007-01 Student Activities – Receipting Process

Findings: The use of receipt books is not consistently being used.

Response: The School District personnel will implement procedures to help improve the internal control.

2007-02 Student Activities – Cash Receipts (Timely Deposits)

Findings: The School District personnel are not consistently making timely deposits to the bank.

Response: The School District will begin to enforce the timeliness of all deposits.

2005-02 Student Activities

Findings: Advisors or the person in charge are not currently maintaining their own ledgers detailing the amounts of earnings, expenditures, and year-end balances in their accounts. They are being provided detailed print-outs by School District personnel. Each group needs to maintain their own set of records.

Response: The School District will continue its efforts to assure that every group activity comply with the requirement, without exception.

2008-01 Findings

Ability to Prepare Financial Statements and Related Note Disclosures

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Board members. The School District relies on auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Board members review and accept the financial statements on behalf of the School District. The hiring of additional personnel to prepare the financial statements would not be cost effective.

Response: Members of the Board should remain involved in the financial reporting process to provide an oversight function. School officials agree and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2008

Significant Deficiencies (Continued)

2008-02 Audit Adjustments

Findings: The School District relies on its auditors to prepare year-end non-recurring journal entries to adjust its financial statements. Board members review and accept the adjusting entries on behalf of the District.

Response: Members of the Board should continue to review and approve the non-recurring journal entries. School officials agree and will continue to use the auditor's assistance in preparing year-end adjusting journal entries.

2008-03 Athletic Revenue – Segregation of Duties

Findings: The person collecting the money needs to provide a breakdown of cash and checks and the office personnel will then proof the deposit for any discrepancies.

Response: The School will have the ticket takers add up the break-down of cash and checks and list this on the reconciliation sheets.

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Education
Norway-Vulcan Area School District
Norway, Michigan 49870

In planning and performing the audit of the financial statements of the **Norway-Vulcan Area School District**, Norway, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States of America, and the standards prescribed by the State Treasurer, we considered the school's internal control structure to plan the auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express opinions on the effectiveness of the **Norway-Vulcan Area School District**, Norway, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Norway-Vulcan Area School District**, Norway, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Norway-Vulcan Area School District**, Norway, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Norway-Vulcan Area School District**, Norway, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Norway-Vulcan Area School District**, Norway, Michigan's internal control.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. They are divided into three categories: significant deficiencies, material weaknesses, and other matters.

MATERIAL WEAKNESSES

There are no matters to report.

SIGNIFICANT DEFICIENCIES

New Comments

2008-01 Findings

Ability to Prepare Financial Statements and Related Note Disclosures

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Board members. The School District relies on auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Board members review and accept the financial statements on behalf of the School District. The hiring of additional personnel to prepare the financial statements would not be cost effective.

Recommendation

Members of the Board should remain involved in the financial reporting process to provide an oversight function. School Board officials agree and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

2008-02 Findings

Audit Adjustments

The School District relies on its auditors to prepare year-end non-recurring journal entries to adjust its financial statements. Board members review and accept the adjusting entries on behalf of the School District.

Recommendation

Members of the Board should continue to review and approve the non-recurring journal entries. School officials agree and will continue to use the auditor's assistance in preparing year-end adjusting journal entries.

2008-03 Findings

Athletic Revenue – Segregation of Duties

Currently, a sheet is being prepared to show the event that is taking place, the number of the box, the total amount collected, and the ticker taker's signature.

However, the breakdown of the amount of cash and checks is not being noted by the ticket taker, nor is the starting ticket number and ending ticket number being documented by the ticket taker. This continues to be taken care of by the office personnel. The office personnel is preparing this cash reconciliation sheet noting the details of cash and checks and the ticket numbers.

Norway-Vulcan Area School District
Page Three

2008-03 Findings (Continued)

Athletic Revenue – Segregation of Duties (Continued)

Recommendation

The ticket takers need to be preparing the complete cash reconciliation sheets and noting the breakdown of the cash and checks collected along with the starting and ending ticket numbers. The reconciliation sheets should be filled out the night of each game, properly signed, and then turned over to the office personnel. The office personnel can re-add the numbers to verify accuracy before depositing the money. Any discrepancies found would need to be brought to the attention of the ticket takers.

Significant Deficiencies Communicated in Prior Years

STUDENT ACTIVITIES

Receipting Process

2007-01 Findings

The audit process disclosed that there were no adequate procedures being followed for receiving monies in the high school office. In addition, the receipts were not bound, pre-numbered, three-part receipts. This was identified as a serious weakness in internal control to be remedied without delay.

Recommendation

It was recommended that the following procedures be implemented to greatly improve internal control:

Any monies received in the office must be accompanied by a completed cash reconciliation sheet noting cash and checks to be deposited. All deposits must be made intact. Care needs to be taken when completing the cash reconciliation sheets, as this is a major link in internal accounting controls.

Checks should be immediately endorsed when they are received, and a receipt recorded in a pre-numbered, three-part receipt book. Type of payment (cash or check) should always be indicated on the receipt. Checks should be deposited to the bank on a timely basis. Deposit slips should be matched against the list of receipts to ensure that all amounts on the receipts were deposited.

Resolution

Although the receipting process has greatly improved, the three-part receipt book is not always used.

Current Recommendation

A three-part receipt book needs to be maintained for all of the receipts for the student activities.

Cash Receipts: Making Timely Deposits

2007-02 Findings

Our audit testing in the area of cash receipts revealed that School's personnel are not consistently making timely deposits to the bank. This practice opens the School to the threat of a loss or theft of cash while it is on the premises.

Significant Deficiencies Communicated in Prior Years (Continued)

STUDENT ACTIVITIES (Continued)

Cash Receipts: Making Timely Deposits (Continued)
2007-02 Findings (Continued)

Recommendation

It was recommended that during heavy cash inflow, deposits need to be made on a daily basis, and during periods of less cash inflows, deposits should be made once a week.

Resolution

Deposits are still not being made often enough. Money is sitting for 2 weeks or longer before being deposited.

Current Recommendation

Deposits need to be made daily during heavy cash inflows and at least once a week when less cash inflows occur.

Cash Receipts: Segregation of Duties

2007-03 Findings

We noted that there was a lack of segregation of duties within the cash receipts area. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. We feel that separating these closely-related functions in the cash receipts system of the School will result in much greater internal control in this particular area. To achieve this control, certain duties involving receipts should be handled by more than one member of the School's personnel.

Recommendation

We recommend that the following procedures be implemented immediately:

- One employee should open the mail and receive monies for deposit, verifying that supporting documents are provided for all receipts, reconciling total deposit and breakdown of cash, checks, and money orders, etc. making up the deposit. They should then restrictively endorse all items received as "for deposit only". This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited.
- The receipts should then go to another employee for further processing and deposit to the bank on a timely basis.
- Then, someone who does not otherwise handle receipts should compare the deposit slips to the list of receipts to ensure that all funds reflected on the receipts were deposited.

Resolution

This has been satisfactorily resolved.

Significant Deficiencies Communicated in Prior Years (Continued)

STUDENT ACTIVITIES (Continued)

Support for Cash Disbursements Needed

2007-04 Findings

In several instances, we noted that check copies were the sole documentation retained in support of disbursements. There were also instances where a statement showing a total of the amount due was attached, however, the detail of what was being paid was not provided.

Recommendation

To provide adequate disbursement documentation, a copy of the invoice should be retained for each disbursement. Absolutely no checks should be issued in the absence of supporting documentation. Requests for reimbursement must also include supporting documentation. We suggest that this practice be implemented immediately.

Resolution

This has been satisfactorily resolved.

CASH ON HAND

2007-05 Findings

Small miscellaneous revenue checks are being cashed utilizing cash from deposits not yet brought to the bank. Therefore, deposits are not being deposited intact. The cash is being maintained in an unrecorded petty cash account. There is no accounting for the activity in this account.

Recommendation

All petty cash accounts are to be recorded by the School District. Every deposit must be deposited intact. The cashing of checks is prohibited. There must be an accounting of all revenues and expenditures.

Resolution

This has been satisfactorily resolved.

COMMUNITY SCHOOLS

Cash Receipts: Lack of Documentation

2007-06 Findings

While performing the audit of cash receipts for the Community Schools, we found numerous receipts with no supporting documentation. Attendance records, sign-in sheets, and participation rosters for the various Community School programs were nonexistent. Therefore, there are no means with which to verify the revenue generated by the various Community Schools programs.

Significant Deficiencies Communicated in Prior Years (Continued)

COMMUNITY SCHOOLS

Cash Receipts: Lack of Documentation

2007-06 Findings

Recommendation

To provide better documentation and stronger accounting controls over cash receipts, we recommend every receipt be accompanied by documentation without exception.

Resolution

This has been satisfactorily resolved.

STUDENT ACTIVITIES

2005-02 Findings

Problem

In conjunction with the prior audits, we noted that all records pertaining to the various student activities were reported and maintained by School District office personnel. Student groups generally lack the knowledge of the amount of earnings, expenditures, and year-end balances in their accounts. Therefore, there is no method to confirm transactions or balances in any group activity. Detection of clerical errors or fraud would be far more difficult.

Recommendation

It was recommended that each student group maintain its own set of accounting records, keeping a running total of all fund-raising revenues, expenses, and ending cash balances. At year-end, these records should be turned in to the office of the principal, where they are to be held for safe-keeping. These records should then be made available to provide an independent confirmation of activities and balances at the time of audit.

Signature of group advisors should be provided at year-end to confirm their agreement with these accounting records.

Every group activity should be required to comply with this requirement, without exception.

Resolution

Although a very small number of groups have complied, this problem is not yet resolved. Every group activity is not currently complying with the past recommendations that each group needs to maintain its own detailed ledger.

Continued Recommendation

The District should strictly implement the prior recommendation. It is recommended that compliance be maintained on a quarterly basis, and those persons not in full compliance be notified of this fact and attempts be made to remedy this issue. There needs to be continued efforts made of each group to maintain its own set of accounting records. Each group need to comply without exception.

OTHER MATTERS

New Comments

No new matters.

Matters Communicated in Prior Years

Purchase Orders

The School's policy regarding purchase orders is not consistently being followed by all School employees. The purchase orders must be completed and signed by the appropriate School employee before the order can be placed.

Recommendation

The School's policy for purchase orders needs to be followed by all School employees without exception.

Resolution

This has been satisfactorily resolved.

Scholarship Fund

The scholarship fund is not being maintained by the School District. Currently, the bank is preparing the print-out listing the receipts and disbursements but is not date sensitive. In addition, dates are not always being recorded.

Recommendation

It was recommended that School personnel reconcile with the bank quarterly and resolve any discrepancies.

Resolution

Although this is greatly improved, all of the discrepancies were not resolved.

Current Recommendation

Records need to be supplied to the School District in a timely manner so that the School personnel has sufficient time to keep the financial statements complete and current.

BUDGETARY

During the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, the School District incurred several expenditures which were in excess of amounts appropriated.

Norway-Vulcan Area School District
Page Eight

BUDGETARY (Continued)

Recommendation

It was recommended that closer monitoring be done in regards to budgetary appropriations and expenditures.

Resolution

During the 2007-2008 fiscal year, the District incurred an expenditure which was in excess of budgeted allowances.

Current Recommendation

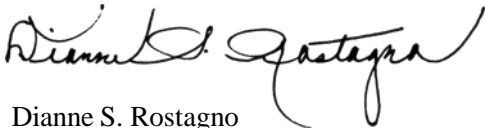
Closer monitoring is required in regards to budgetary appropriations and expenditures.

This letter does not affect our report dated November 03, 2008 on the financial statements of the **Norway-Vulcan Area School District**, Norway, Michigan. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate school administration and staff, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, or to assist you in implementing the recommendations.

It has been a pleasure working with the administration and staff, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

This communication is intended solely for the information and use of management, those charged with governance, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized initial "D".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

November 03, 2008